

COMPETITIVE CARRIERS OF THE SOUTH

(Docket No. P-100, Sub 133q: TRO → UNE-P)

The NCUC is Providing the Direct, Rebuttal, and Surrebuttal Matrices of Issues and Executive Summaries for the Following CompSouth Witness:

Joseph Gillan – Direct (1/9/04), Rebuttal (2/16/04), Surrebuttal (3/1/04)

FILED

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Clerk's Office
N.C. Utilities Commission

**COMPSOUTH'S
MATRIX SUMMARY OF POSITIONS
DOCKET NO. P-100, SUB 133q**

WITNESS	SUBJECT MATTER OF TESTIMONY	TRO DECISIONAL CRITERIA
Joseph Gillan	<ul style="list-style-type: none">• Overview and introduction of BellSouth's direct case• Geographic market area• Local switching triggers	<ul style="list-style-type: none">• §51.319(d)(2)(ii) and (iii)• 47 C.F. R. §51.319(d)(2)(i)• 47 C.F. R. §51.319(d)(2)(iii)(A)

**Executive Summary of Direct Testimony
of CompSouth Witness Joseph Gillan
Docket No. P-100, Sub 133q**

There is only one thing at stake in this proceeding: local competition for the average business and residential telephone customer, in every exchange in the State of North Carolina. The purpose of my testimony is to document, explain and then defend this fact.

Although the testimony is long in pages, it is short on message. There are three key points.

First, the Commission is finally seeing competition emerge throughout the State of North Carolina, for the very users that the Commission should be most concerned with: the typical residential and small business customer purchasing voice service. Attached to this summary is Exhibit JPG-1 that graphically depicts the relative share gained by UNE-P in every BellSouth wire center in the state (with the largest wire centers on the left, and the BellSouth's most rural exchanges on the right). As the chart graphically illustrates, local competition is beginning to emerge throughout the state, not only in its larger cities, but in its small towns as well.

Second, the reason that competition is emerging is quite simple: Unbundled local switching provides CLECs with a cost-effective means to access BellSouth's monopoly loop network in a manner that gives choice to the average user. Unbundled local switching (in combination with the local loop in UNE-P) forms a commercially viable wholesale arrangement similar to the wholesale arrangements that BellSouth uses to provide its long distance services. Although BellSouth uses long distance wholesale services to offer its bundle packages (it now serves more than 25% of the market), it seeks to eliminate the one strategy that offers others the opportunity to compete with packages of their own.

Third, the Triennial Review Order (TRO) does not call for the elimination of local switching in North Carolina. To the contrary, the FCC determined that CLECs were impaired without access to unbundled switching on a nationwide basis. The purpose of this proceeding is not to *ratify* that finding for North Carolina, it is only to determine whether there are *exceptions*. The part of the TRO process that checks for potential "exceptions" that my testimony focuses on is the "trigger test" – i.e., that section of the TRO that asks states to look at actual competitive conditions in their state to determine whether the national finding of impairment does not apply. My testimony outlines for the Commission the basic elements of the trigger analysis, and identifies the criteria that must be present in order for a company to be considered a "triggering competitor."

My testimony does address other topics. The testimony discusses the basic framework of the TRO and attempts to describes its key steps in understandable terms. I also make recommendations as to how the Commission should address the pricing of any element that BellSouth must continue to offer under section 271 of the Act, even if the Commission's reaches a different impairment finding here. And I explain how the Commission should prepare to address challenges to impairment in the future. The three points above, however, form the core of the testimony and the points most important for the Commission to remember.

**BEFORE THE
NORTH CAROLINA UTILITIES COMMISSION**

In re: Implementation of requirements arising)	
from Federal Communication Commission)	Docket No. P-100, Sub 133q
Triennial Review Order: Local Circuit Switching)	
for Mass Market Customers)	Filed: February 16, 2004
)	

**SUMMARY OF REBUTTAL TESTIMONY OF
JOSEPH GILLAN
ON BEHALF OF COMPSOUTH**

My rebuttal testimony responds to BellSouth's claim that there is sufficient facilities-based mass market competition to invoke automatic "triggers" that would remove unbundled local switching in 70% of North Carolina, effectively ending UNE-P based competition in the state. BellSouth's analysis, however, is fundamentally flawed. Among other deficiencies, BellSouth counts enterprise switches as mass market switches, it ignores whether carriers are *actively providing* mass market services today, and it disregards whether its trigger candidates are likely to continue providing mass market services in the future.

Each of the deficiencies in BellSouth's trigger analysis violates specific guidance provided by the FCC to ensure that the triggers would be applied consistently. A faithful application of the triggers should produce outcomes consistent with the FCC's own findings – that is, where a state commission observes facts that are comparable to data that the FCC used to find impairment, then that *same* set of facts cannot be abused in a "trigger analysis" to reverse that finding. The FCC was clear that the states were to apply judgment in the same manner as the FCC: "To ensure that the states implement their delegated authority in the same carefully targeted manner as our federal determinations,

we set forth in this Order federal guidelines to be applied by the states in the execution of their authority pursuant to federal law.”

Significantly, the level and form of competitive activity cited by BellSouth in this proceeding – even if their data is accepted as accurate -- is no different than that which the FCC rejected as being adequate proof of non-impairment. Even if all of the UNE loops provided by BellSouth are assumed to serve the mass market – and, as my testimony explains, this assumption is flatly wrong – the competitive share of UNE-L in North Carolina would only be 2%. The FCC was well aware that *some* analog loops were being purchased by CLPs, however, yet it *repeatedly* rejected claims that trivial levels of UNE-L activity (including levels larger than BellSouth shows here) justified a finding of impairment.

If there is a single exhibit that captures the core debate in this proceeding, it is Exhibit JPG-5 (attached to this summary). Exhibit JPG-5 compares the competitive lines added by UNE-P and UNE-L, by wire center, throughout the state of North Carolina over the past six months. This exhibit best compares the level and geographic reach of the local competition currently underway in North Carolina through the two relevant entry strategies, UNE-L (loops *without* switching) and UNE-P (loops *with* switching). The difference between UNE-P and UNE-L could not be more striking – and it is this difference that is made possible by access to unbundled local switching. As JPG-5 shows, UNE-P is actively bringing local choice to every BellSouth exchange in the state,

no matter how large or small. In contrast, UNE-L is simply incapable of achieving anything on this scale.

In its simplest form, BellSouth is asking this Commission to conclude, based on the activity of UNE-L (the bottom chart on JPG-5), that UNE-P (the top chart) is not needed in North Carolina. Exhibit JPG-5 graphically illustrates the absurdity of that position (although it is equally clear from the exhibit why BellSouth would want the Commission to reach that conclusion – eliminate UNE-P and BellSouth's local monopoly is restored). Using the nomenclature of the TRO, the difference between the upper and lower graphs provides a vivid illustration of the impairment that constrains UNE-L that is overcome through access to unbundled local switching (thereby making UNE-P possible). The triggers are not satisfied in North Carolina, and the Commission should reject BellSouth's effort to eliminate the mass market local competition that is only now emerging in the state.

**COMPSOUTH'S
MATRIX SUMMARY OF POSITIONS
DOCKET NO. P-100, SUB 133q**

WITNESS	SUBJECT MATTER OF TESTIMONY	TRO DECISIONAL CRITERIA
Joseph Gillan	<ul style="list-style-type: none">• Overview and introduction of BellSouth's direct case• Geographic market area• Local switching triggers	<ul style="list-style-type: none">• §51.319(d)(2)(ii) and (iii)• 47 C.F. R. §51.319(d)(2)(i)• 47 C.F. R. §51.319(d)(2)(iii)(A)

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BEFORE THE
NORTH CAROLINA UTILITIES COMMISSION

In re: Implementation of requirements arising)	
from Federal Communication Commission)	Docket No. P-100, Sub 133q
Triennial Review Order: Local Circuit Switching)	
for Mass Market Customers)	Filed: March 1, 2004
)	

SUMMARY OF SURREBUTTAL TESTIMONY OF
JOSEPH GILLAN
ON BEHALF OF COMPSOUTH

My surrebuttal testimony addresses two main points. First, my surrebuttal testimony explains that BellSouth is essentially relying on the same evidentiary record here – i.e., a shrinking base of trivial UNE-L activity – that the FCC relied upon in reaching its finding of impairment. The TRO is quite clear that the FCC expects the states were to apply judgment in the same manner as the FCC: “To ensure that the states implement their delegated authority in the same carefully targeted manner as our federal determinations, we set forth in this Order federal guidelines to be applied by the states in the execution of their authority pursuant to federal law.” A faithful application of the triggers should produce outcomes consistent with the FCC’s own findings – that is, where a state commission observes facts that are comparable to data that the FCC used to find impairment, then that *same* set of facts cannot be abused in a “trigger analysis” to reverse that finding. BellSouth’s trigger analysis does not justify reversing the FCC’s finding of impairment and must be rejected.

¹ TRO ¶ 189.

² Source: BellSouth Response to CompSouth No. 3 and AT&T No. 56.

Second, my surrebuttal testimony responds to BellSouth's claim that this Commission has no role adjudicating the "just and reasonable" rate for unbundled local switching in the unlikely event that the Commission finds that switching need not be unbundled under Section 251 of the Act (but which BellSouth must still offer to comply with its voluntary acceptance of Section 271). Section 271 of the Act makes clear that the items listed in the competitive checklist – including local switching – must be provided in one or more interconnection agreements or through its statement of generally available terms and conditions (SGAT), both of which are subject to state review and approval under section 252 of the Act. Although the FCC has adopted a (potentially) different pricing standard for section 271 network elements, it has never excused BellSouth from the arbitration procedure in section 252.

As the Commission aware, there are a number of overlapping responsibilities in the federal Act between the states and the FCC. For instance, the FCC has the authority to review the UNE rates established by this Commission, to assure that those rates comply with its TELRIC rules and section 271 (when those TELRIC rules apply). This issue is no different. State commissions have the first responsibility to *adjudicate* interconnection disputes by applying federal pricing rules – in this instance, applying the just and reasonable standard – while the FCC may review these same rates through an *enforcement* action. Nowhere has the FCC changed this basic scheme – the mere fact that the FCC recognized its continuing enforcement authority under section 271 did not eliminate the states' arbitration authority under the Act.

As to the appropriate rate that would justify a just and reasonable standard, my testimony explains that the existing TELRIC rates are just and reasonable and should be retained (at least until BellSouth proposes and justifies an alternative in a follow-up proceeding). BellSouth has acknowledged that (1) its objections to TELRIC do not apply to switching, (2) that the TELRIC and TSLRIC for switching (which BellSouth supports) are essentially the same, and (3) that for the main cost drivers, they are identical. In addition, my testimony shows that the existing TERLIC rates exceed the direct embedded cost of switching and provide a substantial (95%) contribution to its other costs. Consequently, there is no reason to conclude that different just and reasonable rates are appropriate for section 271 switching network elements than for section 251 switching network elements.

**MCI WORLDCOM COMMUNICATIONS, INC., & MCIMETRO
ACCESS TRANSMISSION SERVICES, LLC**

(Docket No. P-100, Sub 133q: TRO → UNE-P)

The NCUC is Providing the Direct, Rebuttal, and Surrebuttal Matrices of Issues and Executive Summaries for the Following MCI Witnesses:

Dr. Mark Bryant – Direct (1/9/04), Rebuttal (2/16/04), Surrebuttal (3/1/04)

Sherry Lichtenberg - Direct (1/9/04), Rebuttal (2/16/04), Surrebuttal (3/1/04)

James Webber - Direct (1/9/04), Rebuttal (2/16/04), Surrebuttal (3/1/04)

JAN 09 2004

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N.C. Utilities Commission

Executive Summary of
the Testimony of
Dr. Mark Bryant

The FCC made a national finding that CLPs are impaired without unbundled access to ILEC local switching to serve mass-market customers. The Commission must conduct a market-by-market investigation into whether barriers to entry "are likely to make entry into a market uneconomic." If a market is defined too large, there may be a finding of no impairment even where many customers have no current choice of alternative providers and it is not certain new competitors can enter. Economic theory and practice, as well as the FCC's guidance, all suggest that the wire center is the most appropriate starting point for an analysis of whether CLPs are impaired without access to unbundled switching for mass-market customers.

An analysis, using a tool adapted from a model constructed on behalf of the NRRI, and considering the economic factors that affect the potential deployment of switching capability by CLPs, illustrates that the profitability of CLPs offering local exchange services in the absence of unbundled switching is highly uncertain. No one can say with certainty that any wire center in North Carolina is feasible for economic deployment of CLP local exchange service in the absence of UNE-P. Consequently, the Commission should proceed cautiously both in the analysis of the actual deployment "triggers" and in the analysis of potential deployment of CLP switching capacity. BellSouth stands poised to re-monopolize the competitive long-distance markets made possible by the divestiture of the former Bell System, to quash emerging local competition, and to extend the former Bell monopoly into newly emerging markets as well. An erroneous finding of no impairment with regard to access to unbundled switching in the mass market could have dire and irreversible consequences for North Carolina consumers, while an erroneous finding of impairment would entail far less

serious consequences, and would likely be self-correcting. Therefore, the FCC's finding

of CLP impairment in the absence of access to unbundled switching should be sustained.

To date, UNE-P has been the only service delivery method that has enabled MCI to serve residential and small business customers in North Carolina on a broad scale and will continue be the only way to provide such service for some time. MCI has every incentive to serve customers over its own network, and will do so where and when it makes operational and economic sense. Today's customers have experienced relatively seamless migrations among long distance carriers, and increasingly among local carriers as well. They will judge their experience with UNE-L carriers by the same standards, and so should the Commission.

Transitioning from UNE-P to UNE-L is currently complicated and difficult, in large part because of customer-impacting operational problems. Those issues involve extensive manual ordering and provisioning processes and multi-carrier coordination, as well as the exchange of critical information concerning the databases for customer service records, local facilities administration, E911, number portability, line information, caller name, directory listing, printed directories, and trouble handling. If the transition to UNE-L were made prematurely, multiple points of failure could result in delay, inability to receive calls and, worse yet, loss of dial tone for the consumer. Customer migration problems could lead to customers being "stranded" on a carrier's network, unable to move anywhere else. Thus, the progress that has been made toward a dynamic, competitive telecommunications market since the passage of the Telecommunications Act would be destroyed.

Moreover, moving existing customers from UNE-P to UNE-L is only one of the new processes that will be required to support local competition in North Carolina in a

facilities-based world. For UNE-L to be an acceptable service delivery method, it must allow competitors to meet and even exceed customers' expectations. In particular, migrations between carriers using UNE-L must be seamless and the systems and processes of the entire industry must be fully functional and capable of working together effectively.

The approaches suggested in this testimony to addressing the issues should provide a starting point for resolution. Additional issues are certain to arise as MCI and other carriers gain experience with UNE-L. The Commission will need to play a continuing role to ensure that all operational barriers to UNE-L implementation are addressed and resolved.

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P-100, Sub 133q
MCI WorldCom/MCI metro Access
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Executive Summary of
Testimony of
James Webber

MCI cannot offer services currently to most of its customers absent access to

unbundled local switching. Before MCI can rely on a UNE-L deployment strategy, issues pertaining to loop provisioning, loop facilities, collocation, transport and EELs must be first be resolved.

Consequently, the Commission should approve, test and implement a *Mass Market Hot Cut* process that is designed to address ongoing carrier-to-carrier migrations. This process should be seamless, timely and economically practicable. Moreover, the process should not exclude critical order types such as CLP-to-CLP migrations and UNE-P to UNE-L or EEL provisioning scenarios. The Commission should also approve, test and implement a *Transitional Batch Cut* process that is sufficient to transition the embedded base of UNE-P customers to UNE-L while simultaneously managing increased daily volumes similar to those experienced with UNE-P over the past 12 to 24 months. BellSouth should employ automated processes that can minimize the level of manual intervention, coordination and communication required to facilitate hot cuts between carriers.

Unbundled loops with IDLC feeder should be provided by BellSouth on a timely basis without the necessity of "changing" the facilities over which connectivity is currently provided, unless spare copper facilities are readily and economically available.

Finally, the Commission should open proceedings to monitor performance related to the implementation and provisioning of collocation, transport and related services. There must also be EEL provisioning guidelines that assure that CLPs are able to purchase DS0 level loops in combination with transport, multiplexing, and concentration

as described in this testimony. Moreover, such EELs should be integrated into the Mass

Market Hot Cut and Transitional Batch Hot Cut Processes.

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MCI'S
MATRIX SUMMARY OF POSITIONS
DOCKET NO. P-100, SUB 133q

Clerk's Office
N.C. Utilities Commission

WITNESS	SUBJECT MATTER OF TESTIMONY	TRO DECISIONAL CRITERIA
Mark Bryant	Market definition; local switching triggers; economic barriers	47 C.F.R. §§ 51.319 (d)(2)(i); 51.319 (d)(2)(iii)(A); 51.319 (d)(2)(iii)(B); TRO, ¶¶ 419 <u>et seq.</u> (local circuit switching), 61 <u>et seq.</u> (impairment analysis), 211 <u>et seq.</u> (mass market loop impairment)
Jim Webber	Impact of "no impairment" finding; lack of operational support for EELs; impairment arising from IDLC	47 C.F.R. §§ 51.319 (a)(2)(iii); 51.319 (d)(2)(ii); 51.319 (d)(2)(iii)(B)(2); TRO, ¶¶ 419 <u>et seq.</u> (local circuit switching); 285 <u>et seq.</u> (specific unbundling requirements); 575 <u>et seq.</u> (enhanced extended links)
Sherry Lichtenberg	Impairment arising from exponential increase in orders being handled by complex, manual systems; impairment arising from CLEC-to-CLEC migrations; inadequacy of BellSouth's proposed batch hot cut process	47 C.F.R. §§ 51.319 (d)(2)(ii); 51.319 (d)(2)(iii)(B)(2); 51.319 (d)(2)(iii)(C); TRO, ¶¶ 419 <u>et seq.</u> (local circuit switching)

There are a number of cost factors that vary among wire centers. While Dr.

Pleatsikas' market definition captures the differences in recurring rates for UNE loops and other ILEC rate elements, it fails to adequately capture the effect that the costs of transport and other ILEC charges may have on a CLP's decision to enter the market as a UNE-L based provider. While certain costs that the CLP will incur using its own switching facilities are not specific to the wire center, they are a less important factor in the entry decision than wire center specific fixed costs, which must be spread over a relatively much smaller number of customers.

The FCC has identified a number of factors that must be considered in determining which carriers may appropriately be counted as triggers. These include (1) corporate ownership, (2) active and continuing market participation, (3) intermodal competition, and (4) scale and scope of market participation. It would be a grave public policy error to base a finding of no impairment solely or largely on evidence of carriers self-deploying switching to serve small business customers, leaving North Carolina residential customers with no meaningful competitive alternative. The Commission should also consider whether the switch-based competitor is offering service over both all-copper and IDLC loops. Of the companies cited by BellSouth as satisfying the self-provisioning trigger, several obviously do not meet the criteria for a triggering company, and all these companies, in any event, represent only a very small and declining portion of the market in assessing the ability to provide a realistic competitive alternative to BellSouth.

Finally, without access to the model algorithms and the results of intermediate calculations, one cannot say with any certainty whether the BACE model is appropriately

calculating the costs and revenues pertinent to the potential deployment analysis. An analysis of the inputs used in the model and the overall operation of the model reveals a number of aspects of the model that cause it to present misleading and inaccurate results. Moreover, it cannot be known with any certainty what costs would be incurred and what revenues would be available to CLPs in a post-UNE-P environment. The best that can be said, whatever model is used, is that under some sets of assumptions, CLPs can be profitable in some wire centers in North Carolina. Under other sets of assumptions, CLPs are not profitable in any wire center in North Carolina. Given this uncertainty, the Commission cannot conclude that CLPs are not impaired in any market in North Carolina.

BellSouth fails to present evidence that its highly manual and complex systems can process mass market volumes of UNE-L migration orders that would represent an exponential increase over current UNE-L volumes. BellSouth's reliance on 271 decisions is misplaced, because in the *Triennial Review Order*, the FCC determined that its 271 decisions do not support "no impairment" findings since in those cases CLECs were not relying on hot cuts for provisioning of mass market volumes. Likewise, BellSouth's current performance data do not support BellSouth's position because it is based on today's low UNE-L volumes. Moreover, BellSouth's performance data show that UNE-L involves low flow through (and thus high manual processing) and much longer provisioning intervals than for UNE-P. Finally, the Florida third-party test relied upon by BellSouth did not involve the provisioning or mass market volumes of UNE-L orders. Thus, BellSouth has never, even under test conditions, handled the volume of orders it would be called to process in a UNE-L environment.

BellSouth's force model reveals the manual nature of its UNE-L systems because BellSouth's plan for addressing mass market volumes is simply to hire a large number of people to handle them. Using a mathematical model to calculate the number of additional people that would be necessary in theory to handle such increased volumes fails to address the fundamental question of whether simply staffing up can address the problem. In the end, BellSouth just says "trust me." The Commission should not accept that paper promise since every hot cut that fails will directly impact a North Carolina consumer.

A CLEC-to-CLEC migration requires the losing CLEC to make the loop available to the winning CLEC for re-use, which requires providing the correct circuit ID and

channel and pair assignment information to the winning CLEC. In addition, the losing

CLEC must initiate the 10-digit LNP trigger in its switch and unlock the E911 database.

While BellSouth is not directly involved in this process, the customer will not have the service he has requested until that process is complete. This Commission should not force CLECs to move to UNE-L until the CLEC-to-CLEC migration process is in place and tested, since the only "winner" in the chaos that will ensue if customers are "stranded" on one CLEC's platform will be BellSouth.

BellSouth has developed a manually intensive batch ordering process that does not provide a seamless method for transitioning existing UNE-P customers to UNE-L. BellSouth's existing batch ordering process requires additional steps (a manual spreadsheet, negotiation for due dates and a new batch LSR) to the process. BellSouth recently proposed improvements to its current process, although it has provided little detail with its proposal and it appears that much (if not all) of the proposal would be implemented after the Commission's ruling in this proceeding. The limited level of detail provided by BellSouth to date on its proposal does not allow this Commission or CLECs to determine whether it meets CLECs' needs.

BellSouth proposes to eliminate unbundled local switching ("ULS") from 8 of 22

CEAs in North Carolina, which would cover virtually all of the UNE-P lines in BellSouth's serving territory. A high percentage of MCI's UNE-P based end user lines are provisioned within the wire centers where BellSouth claims CLECs are not impaired without access to ULS. Approximately 148,868, or 92 percent, of all CLEC UNE-P lines are in these areas. A finding of "no impairment" would require these lines to be migrated from UNE-P to UNE-L, and, given the operational impairment that exists, would destroy UNE-P based mass market local competition in North Carolina.

Neither BellSouth's individual hot cut process nor its batch ordering process permit CLECs to transfer retail or UNE-P lines to EELs. The Commission should require BellSouth to support EELS (with concentration, if requested) in its individual hot cut process and its batch process.

BellSouth's network contains a significant percentage of IDLC based loops, which means it is critical that BellSouth have processes that seamlessly migrate to UNE-L customers that are served on IDLC-fed loops. BellSouth has failed to demonstrate that it can do so.

MCI'S
MATRIX SUMMARY OF POSITIONS
DOCKET NO. P-100, SUB 133q

Sur rebuttal

WITNESS	SUBJECT MATTER OF TESTIMONY	TRO DECISIONAL CRITERIA
Mark Bryant	Economic barriers; Market definition; Local switching triggers; Operational barriers	47 C.F.R. §§51.319 (d)(2)(iii)(B); 51.319 (d)(2)(i); 51.319 (d)(2)(iii)(A); 51.319 (d)(2)(iii)(B); TRO, ¶¶ 419 <u>et seq.</u> (local circuit switching), 61 <u>et seq.</u> (impairment analysis), 211 <u>et seq.</u> (mass market loop impairment)
Jim Webber	Operational barriers; Hot cut processes; Specific unbundling requirements for mass market loops; Enhanced extended links;	47 C.F.R. §§ 51.319 (d)(2)(iii)(B); 51.319 (d)(2)(ii); 51.319 (a)(2)(iii); TRO, ¶¶ 419 <u>et seq.</u> (local circuit switching), 575 <u>et seq.</u> (enhanced extended links).
Sherry Lichtenberg	Operational barriers; Hot cut processes; Transitional use of unbundled local switching	47 C.F.R. §§ 51.319 (d)(2)(iii)(B); 51.319 (d)(2)(ii); 51.319 (d)(2)(iii)(C); TRO, ¶¶ 419 <u>et seq.</u> (local circuit switching)

Dr. Aron's arguments misstate the situation facing the Commission and are both unsupported and misleading. MCI does not recommend that the Commission find impairment where none exists. What MCI does recommend is that the Commission be very certain that impairment does not exist, in view of the irreversible consequences of an erroneous finding of non-impairment.

The appropriate market definition is the wire center. One certainly can aggregate markets for administrative convenience perhaps, but such an aggregation is not a market definition. In order to determine, as Dr. Pleatsikas suggests, that "wire centers in a geographic area share certain cost and other economic characteristics," it is necessary first to examine the costs and economic characteristics *for each wire center*. Dr. Pleatsikas seems to assume that because UNE rates are applicable to all wire centers in a particular UNE rate zone, those wire centers must share similar cost characteristics. The rate for unbundled network elements, however is only one factor that affects the costs and revenues that in turn affect a CLP's entry decision. Wire centers also vary along other dimensions. The number of customers served from each wire center, the mix of business and residential customers in each wire center, the proportion of customers served via digital loop carrier equipment, the demographic characteristics of the customers in the wire center, and the distance of the wire center from the CLP's switch all have an impact on the potential profitability of providing service in the wire center.

Although the cost of a CLP switch and some of the costs incurred by a CLP in marketing services apply to a geographic area larger than the wire center,